GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2006
ANSWERED ON:09.03.2001
FINANCIAL INSTITUTIONS EQUITY IN STATE FINANCE CORPORATIONS
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Will the Minister of FINANCE be pleased to state:

(a) Whether the financial institutions have been permitted to take equity in the State Finance Corporations;

(b) If so, whether any Committee recommended such a step;

(c) If so, the details thereof;

(d) The advantage of financial institutions purchasing up equity in State Financial Corporations;

(e) Whether any alternative method or system been proposed so that financial institutions expand their credit sanction for rural areas; and

(f) If so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL)

(a) : Yes, Sir. As per Section 4(3) of State Financial Corporations (Amendment) Act, 2000, the Small Industries Bank, public sector banks, the Life Insurance Corporation of India, other insurance companies owned or controlled by the Central Government, other institutions owned or controlled by the Central Government or the State Governments as the case may be, are eligible to be the shareholders.

(b) & (c): The provision for multiplicity of shareholders was based on the recommendations of the Khan Committee headed by Shri S.H.Khan, the then CMD, IDBI to undertake a comprehensive review of the SFCs Act, 1951.

(d): Multiplicity of shareholders is expected to impart more professionalism in the operations of SFCs through their representatives in the Boards of SFCs.

(e) & (f): With a view to providing credit facilities for entrepreneurs setting up units in rural areas, Small Industries Development Bank of India (SIDBI) is operating a number of schemes which are channelised through the vast network of over 900 primary lending institutions (PLIs) with theirbranch network of over 65,000 branches. The various schemes include 1) Composite Loan Scheme, 2) National Equity Fund Scheme, 3) Mahila Udyam Nidhi Scheme, 4) Prime Minister`s Rozgar Yojana and 5) Micro Credit Scheme (MCS) etc. Besides, SIDBI`s Rural Industries Programme (RIP) is aimed at the promotion of tiny enterprises in Rural and Semi-Urban Areas. As at the end of March, 2000, the programme was in progress in 44 districts in 13 States and is being implemented through 23 agencies which have so far set up 6,022 enterprises.